

Message Text

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ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 TRSE-00 COME-00 CIAE-00 DODE-00

PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01

SP-02 SS-15 USIA-06 OMB-01 IO-13 AID-05 OPIC-03 IGA-02

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R 140956Z APR 76

FM AMEMBASSY DACCA

TO SECSTATE WASHDC 322

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

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TAGS: EIND, BG

SUBJ: CALL ON A.K.M. HAFIZUDDIN, BDG ADVISOR FOR INDUSTRIES

REF: STATE 81210 B. 74 DACCA 1261

1. SUMMARY. AMBASSADOR CALLED APRIL 12 ON A.K.M. HAFIZUDDIN, MEMBER OF THE COUNCIL OF ADVISORS OF INDUSTRIES. HAFIZUDDIN DESCRIBED STEPS BDG WAS TAKING TO IMPROVE OPERATING EFFICIENCY OF GOVERNMENT-OWNED AND MANAGED INDUSTRIES; SAID THAT THE GOVERNMENT WOULD DIS-INVEST (I.E., SELL TO PRIVATE INVESTORS) MANY NON-NATIONALIZED INDUSTRIAL UNITS NOW RUN BY GOVERNMENT CORPORATIONS; AND OFFERED HIS VIEWS THAT BDG POLICIES ALONE WOULD NOT BE ADEQUATE TO ATTRACT FOREIGN

PRIVATE INVESTORS. AMBASSADOR LEFT COPY OF "USG POLICY CONCERNING THE VALUATION OF EXPROPRIATED PROPERTY" PER REFTEL A. HAFIZUDDIN SAID GOVERNMENT HAD REACHED DECISION ON INTERNATIONAL TANK TERMINALS' OWNERSHIP QUESTION. WE WILL FOLLOW UP WITH COMPANY LAWYER HERE AND REPORT BY SEPTTEL. END SUMMARY

2. AMBASSADOR, ACCOMPANIED BY ECON COUNSELOR, CALLED APRIL 12 ON LIMITED OFFICIAL USE

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A.K.M. HAFIZUDDIN, MEMBER OF THE BDG COUNCIL OF ADVISORS FOR

INDUSTRIES, TO INQUIRE ABOUT CURRENT BDG INDUSTRIAL POLICY AND ZL
LEAVE STATEMENT TRANSMITTED REFTEL A.

3. DECENTRALIZATION. HAFIZUDDIN SAID THAT THE GOVERNMENT WAS TRYING
TO IMPROVE THE MANAGEMENT OF ITS INDUSTRIES AND, TO THIS END, HAD
DECIDED THAT THERE WOULD BE SEPARATE BUDGETS FOR EACH CORPORATION AND
WITHIN EACH CORPORATION FOR INDIVIDUAL INDUSTRIAL UNITS. EACH UNIT
WOULD HAVE ITS OWN BOARD OF DIRECTORS WHICH COULD INCLUDE A REPRESENT
A-
TIVE OF THE GOVERNMENT CORPORATION CONCERNED. EACH UNIT WOULD BE RUN
IN
ACCORDANCE WITH THE COMPANIES ACT, THAT IS, EACH WOULD PUBLISH A
BALANCE SHEET, AND BE SUBJECT TO AUDIT. EVERYTHING WOULD BE PUBLISHED
AND "OUT IN THE OPEN", HAFIZUDDIN SAID. IT HAD PROVED MORE DIFFICULT
THAN ANTICIPATED TO PUT THE NEW POLICIES INTO EFFECT, HOWEVER, IN PART

BECAUSE OF DIFFICULTIES IN SWITCHING OVER IN THE MIDDLE OF A FISCAL
YEAR, HAFIZUDDIN EXPECTED THAT THE SYSTEM WOULD GET UNDER WAY AT THE
BEGINNING OF THE NEXT FISCAL YEAR, FROM JULY 1, 1976.

4. DISINVESTMENT. HAFIZUDDIN EXPECTED AN ANNOUNCEMENT IN ABOUT ONE
WEEK'S TIME OF THE GOVERNMENT POLICY TO SELL PRIVATE BIDDERS THOSE
INDUSTRIAL UNITS WHICH HAD BEEN TAKEN OVER BY THE GOVERNMENT BUT NOT
NATIONALIZED (E.G. ABANDONED PROPERTIES). THE GOVERNMENT HAD DECIDED
TO DEINVEST ITSELF OF RATHER A CONSIDERABLE NUMBER UNITS, HAFIZUDDIN
SAID, BUT ONLY A FEW OF THESE WOULD BE OFFERED FOR SALE AT ANY ONE TIME
IN ORDER TO AVOID FLOODING THE MARKET AND SCARING OFF POTENTIAL BUYERS.
MAKING A DISTINCTION BETWEEN DENATIONALIZATION, WHICH WAS NOT
CONTEMPLATED, AND DISINVESTMENT, HAFIZUDDIN NOTED THAT AMONG THE
JUTE INDUSTRIES, MILLS PRODUCING HESSIAN, SACKING, AND CARPET
BACKING, WERE NATIONALIZED AND WOULD NOT BE OFFERED FOR SALE, BUT
UNITS PRODUCING TWINE, AND PRODUCTS SUCH AS "JUTEX" (A BLEND OF
JUTE AND OTHER FIBERS) WOULD BE. (INDEED, A GENERAL ANNOUNCEMENT,
REPORTED SEPTTEL, APPEARED IN APRIL 13 NEWSPAPERS.)

5. LABOR. IN ADDITION TO THE POLICY OF DECENTRALIZATION (PARA 3
ABOVE) THE MAJOR PROBLEM IN IMPROVING THE EFFICIENCY OF THE INDUSTRIAL

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UNITS WAS THAT OF EXCESS LABOR. THE JUTE INDUSTRY WAS THE WORST
OFFENDER HERE. IT COULD CAUSE VERY CONSIDERABLE DIFFICULTIES TO
ATTEMPT TO DISMISS THESE WORKERS. ONE IDEA, WHICH HAFIZUDDIN HAD
DISCUSSED WITH LABOR LEADERS, WOULD BE TO EMPLOY FROM 5,000 TO
6,000 JUTE WORKERS AS PART OF THE 18,000 FAMILY PLANNING WORKERS TO
BE POSTED IN THE VILLAGES AROUND THE COUNTRY. LABOR LEADERS HAD
GIVEN THEIR BLESSING TO THIS SUGGESTION PROVIDED THE WORKERS
WERE ASSIGNED TO THEIR HOME DISTRICTS.

6. NATIONIZATION COMPENSATION. AMBASSADOR LEFT WITH HAFIZUDDIN THE TEXT OF THE DEFINITIVE STATEMENT OF "USG POLICY CONCERNING THE VALUATION OF EXPROPRIATED PROPERTY" TRANSMITTED BY STATE 81210. IN ADDITION TO DESCRIBING THE POLICY, AMBASSADOR CALLED SPECIFIC ATTENTION TO THE FIMP SENTENCE CONCERNING USG RESERVING ITS RIGHTS 59 .-8,5-8, CLAIMS FOR WHAT IT REGARDS AS ADEQUATE COMPENSATIONM IN ADDTION, WE ARE SENDING COPIES OF THIS STATEMENT BY LETTER TO THE FOLLOWING MEMBERS OF THE COUNCIL OF ADVISORS, ZIAUR RAHMAN (FINANCE), MIRZA NURUL HUDA (PLANNING), KAZI ANWARUL HAQUE (JUTE).

7. PRIVATE INVESTMENT. AMBASSADOR STRESSED US INTEREST IN POSSIBLE PRIVATE INVESTMENT IN BANGLADESH, BUT NOTED THAT DESPITE THE IMPROVED BDG INVESTMENT POLICY, POTENTIAL FOREIGN INVESTORS REMAINED CAUTIOUS IN THE LIGHT OF THE SITUATION HERE OVER THE PAST FEW YEARS. HAFIZ- UDDIN EXPRESSED THE HOPE THAT PRIVATE INVESTORS WOULD COME TO BANGLA- DESH BUT READILY AGREED THAT THE ANNOUNCEMENT OF IMPROVED POLICIES WOULD NOT, BY ITSELF, BE ENOUGH. A CLIMATE OF CONFIDENCE, AND BY IMPLICATION STABILITY, WOULD NEED TO BE CREATED.

8. INTERNATIONAL TANK TERMINALS (ITT). AMBASSADOR AGAIN RAISED THIS LONGSTANDING ISSUE (REF B AND NUMEROUS SUBSEQUENT MEMCONS). HAFIZUDDIN WAS FAMILIAR WITH THE SUBJECT AND RECALLED THAT HIS FRIEND OF 20 YEARS, BADRUDDIN AHMED, ACTING AS A LAWYER FOR ITT, HAD DISCUSSED THE MATTER WITH HIM. HAFIZUDDIN WAS FRANKED TO SAY THAT HE WAS SUSPICIOUS OF THE WAY THIS CASE HAD BEEN HANDLED AND HAS REVIEWED THE FILE AND CALLED FOR A NEW LEGAL OPINION. THIS HAD NOW BEEN RECIEVED AND IT HAD AGREED WITH THE EARLIER VIEW OF THE LEGALITY OF THE GOVERNMENT'S TAKING OVER CONTROL OF THIS ORIGINALLY US PROPERTY. AT HUZUDDIN'S SUGGESTION WE PLAN TO OBTAIN THE DETAILS FROM BADRUDDIN AHMED AND TO REPORT FURTHER.

9. GENERAL IMPRESSION. CONTRARY TO OUR EXPRECTION, BASED ON LIMITED OFFICIAL USE

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HAFIZUDDIN'S BACKGROUND AS A POLICE OFFICER AND SOMEWHAT SURPRISING APPOINTMENT TO THE PAKISTAN INDUSTRIAL DEVELOPMENT CORPORATION (1962), FOR WHICH HE APPEARED UNQUALIFIED, HAFIZUDDIN MADE A VERY FAVORABLE IMPRESSION. HIS POLICIES ARE IN LINE WITH THE WORLD BANK AND OTHER DONOR RECOMMENDATIONS AND SEEMED SENSIBLE TO US. THE PRESENTED HIS POINTS OF VIEW IN AN ATTRACTIVE MANNER, AND SEEMED GENUINELY INTERESTED IN DISCUSSING HIS PLANS WITH US. (HE WAS FRANK TO ADMIT THAT THE ITT CASE HAD AROUSED HIS SUSPICION AND WHILE HE FOUND IT HAD BEEN HANDLED IN A LEGAL MANNER, HE THOUGHT THIS AN EXAMPLE OF THE FACT THAT THE LAW IS AN ASS".)

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